

Ep:12 Protect Your Assets – Make Sure You Have The Proper Coverages!

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PATTI BRENNAN: Welcome to “The Patti Brennan Show.” Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best life.

Today, I have Neil Boyle with me. Neil is the president/CEO of his own agency. It’s the Boyle Insurance Agency. What I appreciate about Neil’s approach, they are an independent agency specializing in auto, homeowner’s, and umbrella liability insurance. Neil, welcome to the show.

NEIL BOYLE: Thanks for having me, Patti.

PATTI: Yes, it’s so great to have you here. Let me tell you folks a little bit about how this came about. Neil and I both have sons who are the same age. They went to school together.

We were talking about the kids and the boys, and the conversation took on a life of its own.

I was saying to Neil, the thing that always worried me, whether it was related to my own family or our clients is that a lot of people don’t realize that with young children, young drivers especially, that if, for example, our sons, let’s say that it was my son, gets his driver’s license, goes out with his friends, makes a bad choice, chooses to drink and drive, gets into a car accident and kills a young family, that we are completely liable for that behavior. In other words, we’re going to be sued for everything that we’re worth.

That is a really important fact that a lot of people don’t realize.

NEIL: Absolutely. The umbrella policy that you can get for excess liability in a situation like that on top of the coverage that you have on your personal auto policy, generally, the underlying coverage needs to be about \$500,000 on the auto policy in order to be eligible for the umbrella.

That would certainly come in handy in a situation whether it’s a young driver or you’re 35 without children, but you have assets to protect. You’ve worked so hard to build up that asset allocation that the umbrella policy can be a helpful factor.



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PATTI: It's interesting. This is another side story, Neil, that we didn't talk about.

I used to play field hockey when I was a young college student. I was out on a golf course one day, and the golf course happened to be on a road or one of the holes was off of a road. To make a long story short, I can hit the ball. It just doesn't go straight.

NEIL: [laughs]

PATTI: Of course, it ended up going right into the windshield of a driver going 50 miles an hour. Now, by the grace of God, she did not get in a car accident. When I realized that she very well could have, from this golf ball that I hit. I actually called my insurance agent and said, "What would have happened if she had sued me for everything?" I wasn't driving a car.

Fortunately, I learned that that's where the umbrella policy also would have kicked in. It can actually cover things that you never would have thought of, like being a terrible golfer like Patty Brennan.

NEIL: Absolutely. The ability to speak to an agent about those types of situations to explore the different types of situations where an umbrella or the liability could kick in, wherever you're negligent. If you're negligent in any type of situation, whether it's hitting a golf ball or driving a car, the liability can certainly come into play.

PATTI: It's funny because you use the word, negligent. I don't know. Yes, I was probably negligent in the fact that I should not have been on a golf course.

[laughter]

That is definitely the case, but it was an accident. I didn't mean to hit it into her windshield and yet it still happened. People can be at your home, and they could trip and fall by no fault of yours, but they're going to sue you anyway for everything that you're worth.

NEIL: Gross negligence doesn't necessarily mean it was done on purpose, mainly it is accidental. A situation where you have a young driver, we see it every day, the frequency and severity of those accidents are a pain point from a pricing standpoint, an overall pricing standpoint of the policy and from a severity of the amount that we pay out on claims.

PATTI: You've brought up an excellent point, the price point. Again, I don't think that you are ready for all these examples, Neil...

NEIL: It's all right.

PATTI: ...but I'm going to give you these examples because I have lived it, either personally or with our clients. It's really interesting. This is another example where I didn't realize these



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unintended consequences. My son, Jack, goes to college out in California.

Being a mom, I'm thinking I'm going to teach this kid how to be responsible. We go out. We buy him a jalopy for him to drive at school because he's living off campus. He has to get to school, and Uber was killing me. I figure, let's buy a cheap car for him to drive back and forth to school.

Being the mother that I am, I thought I'm going to give him some skin in the game. I had him go ahead and research car insurance out in California. He went ahead and did it. Like every young child, he doesn't call anybody. He goes on the Internet. He gets a car insurance policy and gets whatever coverage or what have you and one thing leads to another.

The following year, I get our umbrella liability bill. Sure enough, our umbrella liability policy was through the roof. I paid it because I'm busy, didn't think twice about it.

The following year, our agent called me and said, "You know, Patti, Jack's got this insurance policy with a different company. Did you know that if you bring that with our company and you have it with us, it will reduce the cost of your umbrella by thousands of dollars?"

I had no idea. Not only did it pay for the cost of his car insurance just by the reduction in the cost of the umbrella, we actually pocketed about a thousand dollars ourselves.

NEIL: The children definitely, the first look that they should have when they purchase insurance is to go to the carrier that their parents are with. That's going to be most beneficial to them from a cost standpoint. Their parents have some experience with that company.

As far as the umbrella goes, being with a carrier other than the one that you carry the umbrella with, the pricing is going to be significantly higher because they do not have a control over those underlying claim situations. It makes it much more difficult to come into adjusting a claim on an umbrella when you haven't adjusted the underlying coverage to begin with.

PATTI: That's interesting. I didn't realize that, Neil. That's a good point. I thought that they just wanted the volume and the insurance. The thought process behind it, they don't have control over that first policy in terms of the underwriting of the first policy.

NEIL: The umbrella policy only kicks in a situation where the limits are exhausted under the underlying policy, under your auto policy, your homeowner's policy.

PATTI: When you think about your coverages and where they might be, you don't necessarily want to diversify your insurance companies because that's going to result in a higher overall cost for your coverages. Also, and you could probably talk more about this, you'll either have redundancies in coverages or maybe significant gaps, right?



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NEIL: It's a pricing issue, certainly, that you want to keep all of your coverages with the same carrier because of some multi policy discounts that are involved.

Certainly for a coverage standpoint, you want the same company adjusting the underlying claim. If possible, you don't want to have to go to an outside carrier to cover the umbrella on top of the homeowner's or auto policy.

PATTI: I think it's also important for our listeners today to understand what is exposed in the event of negligence or an accident or something like that? In Pennsylvania and in most states today, not only are your retirement plans at work excluded from a liability...

In other words, if you have a 401(k) or a pension plan, you cannot be sued for those assets. They are protected under a law that's called ERISA. Most states have also adopted that level of protection for IRAs as well.

When you think about how much of an umbrella you need, how much coverage you need, I think it's safe to say, and you can pop in, the most important thing is you want to cover your net worth excluding your retirement plan assets.

NEIL: Correct, and the typical amount of an umbrella policy is a million. A lot of companies will go up to \$10 million, and if you need additional coverage on top of that, you can go to an outside firm or an outside broker to try to get that coverage.

As far as the amount that you need, everybody's situation is different. That's why if you go on the Internet and they tell you the intended amount of coverage should be this amount, it may not be the fit for you.

You need to look at your individual situation, communicate that with your agent regarding your assets, and then you can come up with a decision regarding the amount. The pricing on the umbrella is not as expensive as people think it is, especially if you can bundle it all with the same carrier.

It definitely is affected by the young drivers, or if you own additional properties, but the people will be very, very surprised when they go and get a quote on the umbrella coverage.

PATTI: I can tell you from experience in evaluating different clients, you're probably talking anywhere from \$300 to maybe \$1,000 on the high side for a million dollars of coverage.

NEIL: Absolutely. Yes. We have policies under \$200 for couples without any children, maybe one car, and they run an apartment. The pricing, people think of a \$10 million umbrella being a huge expense, it's definitely worth looking into.

PATTI: When you think about what it covers, Neil, we've talked about it umbrella. In other words,



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your homeowner's policy liability limits will kick in for the first, let's say, \$250 or \$300...

NEIL: Correct.

PATTI: ...and then umbrella is the next million. Let's say, it's \$1.3 million in coverage, so we've got the home covered, you've got your cars covered. Does it cover boats? What are some of the other examples?

NEIL: Boats, recreational vehicles, if you have secondary dwellings, a seasonal dwelling, or a beach home, or a place down in Florida, we can attach that to the umbrella policy.

PATTI: They're automatically covered or you have to make sure that your agent is attaching?

NEIL: No. That's part of the conversation that you should be having with your agent, letting him or her know about all those situations, all your assets, all your locations, and come up with a plan.

PATTI: Boy, can you imagine if someone went out and got an umbrella policy thinking that they're completely covered, got it on the Internet but didn't happen to mention the house down at the shore or that they have a boat on the Chesapeake, and something happens? Just because they didn't include it, it's not covered. That would be a real tragedy.

NEIL: A lot of times, with your insurance, you purchase it and then you forget about it a little bit. You have the umbrella, but you need to do an annual review. You need to speak to your agent about coming up with a plan for that particular year because life changes. The umbrella and the liability coverage needs to meet those changes.

PATTI: We've talked about liability. What other things should someone look at in terms of their coverages? I think it's interesting. I know in our neighborhood, one of the big things that has occurred in our neighborhood and for a lot of people, were surprised when the stucco issues came about.

These houses were built 10, 15 years ago and weren't sealed properly, and now they've got issues with mold underneath their stucco. They were really disappointed that that wasn't covered with most insurance companies.

First of all, the question is, is that just a difference between one insurance company versus another? Is that in the fine print of each policy? How do you even know the questions to ask?

NEIL: The mold situation is one that's really been scrutinized over the last 10, 15 years. As far as the coverage goes, in most cases, there isn't any. Because most companies have the same policy language when it comes to mold. There are some policies that will provide some



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minimal coverage for clean up of mold.

You have to look at your policy and check the policy language for additional payments. Almost everybody's insurance policy, almost everybody is going to exclude mold from the policy.

PATTI: Was that also an issue after the hurricane Sandy and the houses at the shore...You've got flood insurance and that only covers \$250,000. Basically, were the homeowners stuck with the rest? Did they lose everything?

NEIL: Unfortunately, a lot of people were out on their own when it came to those types of situations. That's another great coverage to discuss with your agent is flood coverage. Even though it may not be in a flood plain, you can see what's going on at the Midwest this week, just with their flooding. Coverage of flooding is definitely a coverage that you want to talk to your agent about.

PATTI: What is the max on that?

NEIL: There's no maximum. It's based upon the individual situation and it's underwritten by the government.

PATTI: OK. That's a really important tip. With global warming, whether we believe in it or not, if it is a factor, if that is a concern especially if you've made significant investment into your home that is really something to talk with your agent because it's one of those random things that nobody can predict.

NEIL: Again, the pricing on that is not as bad as maybe you would expect unless you are in a floodplain if you're designated in the floodplain and you purchase a home there. The mortgage companies can require that you have the flood coverage. That's going to be a little bit more expensive, but outside of the floodplains, you can get a good buy on flood insurance.

PATTI: That's really interesting. As we talk about this, it's important to understand, philosophically, the purpose of insurance. Let's try to get down to really brass tacks to keep it real simple. The purpose of insurance is to transfer risk.

It's basically to say, "I don't wanna take the risk of losing my home, so I'm willing to pay \$1,000, \$3,000, and I'm gonna transfer that risk to Neil's insurance company. If something does happen, I'm gonna let them deal with it, so I don't have to."

It's a risk transfer tool. Now, the question is how much of your hard earned dollars do you want to spend in having that ability to transfer that risk? Do you want to transfer some of the risk or do you want to transfer all of it? That's where a really good agent can really come



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into play.

NEIL: Most people, initially, want to have lower coverage to lower their price. The pricing is the main issue until they have to use it. Once they use it, then we see that they look to increase coverage, maybe higher deductibles, look to increase their liability limits.

Until they have to use it, the buyer is looking mainly at price where it's our job to look at coverage and make sure that they're properly covered.

PATTI: It's a really, really good point. As the insurance industry has evolved, I think that one thing that's really important is to recognize that the pricing has to do with the claims experience of the overall company as well as, you, the policy holder.

Let's talk a little bit about that because to me it's a little foggy.

All of a sudden, I get this huge increase in my insurance bill. Is that because of what we did, or is that because the insurance company had higher claims than they anticipated? If so, what can we do as educated consumers to go in there and make sure that we're paying a fair price that we're not going to be victims of their poor decisions?

NEIL: It could be both. The insurance company's experience in that geographical territory is certainly going to dictate what the base rates are. Your individual driving habits, including your MVR, your Motor Vehicle Record, and any accident history will definitely have an effect on what your rates are.

You want to make sure that the insurance company has all the correct information, that they're not applying an accident that, maybe, you didn't have. Maybe, your Motor Vehicle Record is showing something on a speeding ticket that, maybe, was somebody else with the same name and you're getting hit with it. To review all that information is very important.

PATTI: How do you know, Neil? How do our listeners know which insurance company is best for them? Is there a huge difference in insurance companies?

NEIL: One of the factors that you can use is the AM Best rating. They're a privately held company out of New Jersey. They measure the ability of insurance companies to be able to meet their financial obligations, and they give a report card. You can go online and find out your company's report card, whether it's excellent or good. They'll provide that information.

The other thing that you can research is JD Powers. Consumer Report usually has a personal insurance publication once a year. Generally, you can get great information. You'll see the top tier companies from a pricing standpoint, from a customer satisfaction standpoint, and the claims experience.



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PATTI: That's a good tip. Let me pull this together with one final question. As you've been doing this for a long time, are there any particular trends that you're noticing, whether it be the purchase decision, the purchase experience, differences that you're seeing in terms of what's happening in America today?

NEIL: For the most part, coverages have remained the same over the last 25 years. There is some tort reform. We haven't talked about limited tort and full tort.

Limited tort, you forfeit your right to sue for pain and suffering. Full tort, you retain all your rights. Limited tort's cheaper because you're forfeiting those rights, something you need to talk to your agent and, maybe, your attorney about, too, when you make that decision.

The biggest change that's gone on is the way people buy insurance, that they're going online, that they're not utilizing an insurance professional. They're making decisions on their own, which initially may be fine. As they grow older and they acquire assets...

PATTI: Life becomes very complicated.

NEIL: ...and things become a little more complicated, you're adding drivers, you're adding vehicles, and you're moving locations. I know we're preaching to the choir here we encourage everybody to look into having a licensed professional.

PATTI: The interesting thing about it is it's not like going to cost them any more money. You get the added value of a human being working with you and figuring out how to optimize your coverage for the least amount of money.

By the way, it's not like you're paying that person a fee. They're getting compensated from the insurance company.

NEIL: That's a bit of a misconception that if you go through a direct writer that you're saving on paying the commission of the agent. There may be some truth to that, but overall the pricing comes down to where you live, your credit, and your driving history. That, more than anything else, is the determining factors.

PATTI: Neil, thank you so much. This has been enlightening. I so appreciate you joining me today.

NEIL: Appreciate you having me.

PATTI: Absolutely. To summarize in terms of action items, first and foremost is to number one, understand the coverage that you have and make sure that there aren't any gaps in it.

Number two, if you're not working with an agent, it might not hurt to get an extra set of trained eyes to take a look at all of your coverages and make sure that they are what you



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think that they are, and make sure that you're not paying too much.

Then number three, always be aware of where your liabilities might exist that you may not realize. If you are a golfer and if you golf like Patti Brennan, you may be taking risk that you didn't even realize you had.

NEIL: It doesn't cost anything to call your agent, or if you're shopping for insurance, it doesn't cost you anything to talk to another insurance company about their rates, their coverages. Don't let price be the only factor, certainly it's a factor. Don't let price be the factor, coverage is number one.

PATTI: You got to understand it. The most important thing is understand what you're paying for.

That's it for today's show. Thank you so much for spending some time with us. If you want to learn more about property, casualty, homeowners, car insurance, etc., just head over to our website, keyfinancialinc.com. You can schedule a call with me. We can introduce you to people who can help you in this particular area.

Also, be sure to hit the "Subscribe" button if you liked today's episode and be sure to turn on your notification so you don't miss a single episode. Leave us your comments on the show. We'd love to hear from you.

Until next time, I'm Patti Brennan. I'll see you in the next episode.



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